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Guest Opinion

DON'T EXCHANGE ECONOMIC SECURITY FOR OWNERSHIP
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There are trigger events that can cause an issue to snap into focus. Last fall I received the Vancouver, Wash., Housing Authority 2004 annual report titled, "Deeply Rooted, Branching Out." It described the role of affordable housing in the lives of children at risk ("Stable housing creates good growing conditions"), working-poor households ("When housing supports achievement, families thrive") and low-income seniors ("Dignified housing shows our respect").

The text and photo presentation was moving as well as informative, reflecting sustained commitment by one of Washington's most dedicated public servants, VHA Executive Director Kurt Creager.

The report was on my desk when the January 28 Puget Sound Business Journal announced, "Big cuts: Feds yank funds for affordable housing." Eric Engleman reported, "Local housing authorities are reeling" from cuts in Section 8 housing vouchers that assist low-income families who spend 30 percent or more of their income on rent. Even larger cuts are likely when the program is folded into a block grant that will be frozen or reduced.

Decent housing has proven to be a crucial first step up the economic ladder. Section 8 cuts seem to run against the idea of an "ownership society" -- if that means broadening access to economic opportunity.

This incident sharpened my awareness of related matters. On January 31, the Los Angeles Times reported that the Bush administration and GOP leaders in Congress see this as the time to "move the nation away from the system of employer-provided health insurance that has covered most working Americans for the last half-century.

"In its place, they want to erect a system in which workers would take personal responsibility for protecting themselves and their families by buying high-deductible 'catastrophic' insurance to cover major medical needs and paying routine bills with money set aside in tax-sheltered health savings accounts."

This calls to mind the top social policy issue of 2005: whether to cut Social Security payroll taxes by one-third and shift the difference to "private accounts."

Valid points can be raised on behalf of both proposals. With regard to health care, catastrophic coverage is relatively affordable and serves the basic purpose insurance was designed for -- covering unanticipated expenses that are too large to be paid out of pocket. Allowing a tax deduction on funds held for other medical expenses is sensible, and supports sound financial planning. Problem is, savings accounts work only for those able to save -- the top 20 percent of households at most.

As for Social Security, it has a basic problem. The system has never been actuarially sound. Today's older retirees, members of the "Greatest Generation," will receive an average three times what they and their employers paid to the fund, adjusted for interest.

This problem will be solved automatically by the decease of the current generation of retirees. From then on, the match between pay-in and pay-out will be much closer. A new problem arises: Demographics will force benefit reductions.

Current workers are financing the benefits of today's retirees while hoping future workers will do the same for them. The ratio between the two groups has fallen from 16 workers per retiree in 1940 to three today, and is headed lower. This creates a crunch that will cause the system to become "insolvent" by about, 2021 -requiring benefits to be reduced 25 percent below current level.

The ability to personally invest one-third of Social Security contributions is attractive. But there are problems -- and costs. The shift cuts fund income and would require the Feds to add $2 trillion to $3 trillion in borrowing at a time of record deficits.

Also, the Bush administration is caught in a contradiction. The only scenario where crisis concerns about system solvency become credible is prolonged slow economic growth. The same scenario removes the appeal of private accounts. Economic stagnation would mean equity value stagnation. Only the most sophisticated investors could outwit the situation.

This raises the deepest point of concern. The set of initiatives proposed on behalf of an "ownership society" would be used effectively only by those who are already skilled, confident "winners" in our economic system. Those who aren't doing well currently are likely to be bewildered and threatened by new rules of the game. For them, a simple and predictable system is preferable to one filled with speculative "choices" that require an income surplus for saving and investment.

At a minimum, this suggests a two-tier approach that offers choices as an option while safeguarding basic housing, health care and income maintenance programs.

We used to speak of an "opportunity society." Now it's the "ownership society." This shift from becoming all you can be to acquiring all you can have is a bit troubling. The Founding Fathers struck "property" from the famous phrase about life and liberty, and added "the pursuit of happiness" as one of the three great goals of our society.

For a majority, economic security is more important to the pursuit of happiness than the chance to play the market and its equivalents. There's a danger in swapping certainty for choice in a system where only the savvy will thrive while others struggle to survive. Such an outcome would actually move us away from an ownership society by accelerating the concentration of wealth that is already under way with a vengeance.

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BUSH SPREADS LIES ABOUT SOCIAL SECURITY

By HUBERT G. LOCKE
SPECIAL TO THE POST -INTELLIGENCER

For the first decade or so of my working life, I hardly thought about Social Security, other than as an annoying deduction from my always-inadequate paycheck.

At some point in my early 30s, it began to dawn on me that the annoying deduction was actually something I was slowly but steadily accumulating toward retirement -- a destiny that seemed, at the time, eons away. I was almost 40 when my parents retired and I began to realize how Social Security actually works -- that my payroll deductions helped pay for the Social Security checks my mom and dad received each month.

From that point on, until their deaths, I looked at my Social Security deductions with considerable pride -- feeling that I was, in a tangible way, helping to take care of my parents in much the same way that now one of my daughters (and the other when she finishes school and gets a job) contributes, through payroll deductions, to the Social Security checks I now receive.

My maternal grandmother, who worked her entire life as a domestic, lived with our family until her death. That was the way our society took care of its aged before Social Security. In my family's case, during the Depression, it meant a divided household for a number of months -- my grandmother, mom and I living in a rented room while my father slept on the sofa in his older brother's home. It was the only financial arrangement my dad could afford.

For most Americans, such experiences are now part of the past, thanks to a system put in place in the early years of the New Deal. It has served the nation and its citizens well for almost 70 years. But now comes a president with a penchant for lying to the American public who tells us this system is on the verge of bankruptcy. He proposes that citizens invest in the stock market as an alternative way to save for their retirement.

President Bush's party has savaged the Social Security system since its inception. Alf Landon, the Republican who ran against Roosevelt in 1936, called Social Security "a cruel hoax" on the American people. Barry Goldwater wanted to repeal the legislation that created the system while Ronald Reagan called Social Security a program that is a "sure loser" and one that would worsen, rather than lessen, the hazards of age.

Social Security was devised as a program that calls on Americans to take care of one another; each generation of workers pays taxes that support an earlier generation of retirees. The very idea of people taking care of one another -- and of taxing citizens in order to do so -- is what the free-market, self-reliant throng detests; it smacks to them of socialism.

And that's why they -- led by Bush -- blatantly spread falsehoods about a program that marks the difference between sustenance and abject poverty for millions of elderly Americans.

The facts are that, for at least another decade, Social Security will continue to take in far more money than it pays out. After that, it will have to draw on its reserves of more than one and a half trillion dollars. If nothing is done, these reserves -- the Social Security trust fund -- will be exhausted somewhere between 2042 and 2050. After that, the system would be able to payout about 70 percent of scheduled benefits.

This is not a system that is either "in crisis" or bankrupt. It is a system that needs adjusting by anyone of -- or a combination -- of several, relatively painless alternatives: raising the ceiling on income taxed for Social Security (currently set at $90,000) or a slight increase in the retirement age that takes into account the much greater longevity rate that Americans now enjoy and can be expected to, in the future.

One thing is for certain. The battle over Social Security is where the Democratic Party better draw a clear line in the political sand. It had best be prepared to obstruct, filibuster and do everything else within reach to drive a stake through the heart of the obscene White House plan to "privatize" Social Security.

If the Democrats muff this one, the party can forget about its future -- it will neither have nor deserve one.

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